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May 21, 2007

State Air Pollution Control Board  
Attn. Ms. Monica Harvey  
629 East Main Street, P.O. Box 1105  
Richmond, VA 23218

**Re: Mirant Potomac River, LLC, Registration Number 70228**

Dear Ms. Harvey:

The District of Columbia Public Service Commission ("DCPSC") hereby submits the attached Statement in connection with the May 22, 2007 public hearing regarding the Potomac River Generating Station plant. The DCPSC is grateful for this opportunity to present its views on this important matter and requests that its Statement be made part of the record. Please call if you have any questions at the above referenced number.

Very truly yours,



Sheila Slocum Hollis  
Esquire

cc: Richard D. Langford, Chairman  
State Air Pollution Control Board

Honorable Adrian M. Fenty, Mayor  
Dan Tangherlini, City Administrator  
District of Columbia

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Honorable Mary M. Cheh, Chair  
Committee on Public Services and Consumer Affairs  
Council of the District of Columbia

Dennis R. Wraase, Chairman, President, and CEO  
Kirk Emge, General Counsel  
Pepco Holdings, Inc.

Vincent P. Duane  
Vice President and General Counsel  
PJM Interconnection, LLC.

Kevin Kolevar, Director, Office of Electricity, Delivery, and Energy Reliability  
Larry Mansueti, Management and Program Analyst  
U.S. Department of Energy

Debra Bolton, Vice President and Assistant General Counsel  
Mirant Corporation

SSH/ejl

**STATEMENT**  
**OF THE DISTRICT OF COLUMBIA PUBLIC SERVICE COMMISSION**

The District of Columbia Public Service Commission (“DCPSC”) submits this Statement to support the continued operation of the Potomac River Generation Station (“Potomac River Plant”) until Potomac Electric Power Company (“PEPCO”) constructs, tests, energizes and places in service its planned 230 kV transmission upgrades to address the current reliability and power supply emergency in the District of Columbia. During this period, the Potomac River Plant’s operation at the current levels of output, particularly in line outage situations, is critical to ensuring electric reliability in the entire National Capital region, and the DCPSC strongly urges the State Air Pollution Control Board (“Board”) to take all necessary steps to facilitate such operation. The DCPSC also requests that the Board carefully consider the implications of its decisions affecting the Potomac River Plant and refrain from taking any action that might have a significant adverse impact on electric reliability in the region.

Since December 2005, the Potomac River Plant has been in operation under a series of emergency orders issued by the Secretary of Energy pursuant to Section 202(c) of the Federal Power Act. In his orders, the Secretary recognized the crucial role that this generation facility plays in ensuring reliable electric service in our Nation’s Capital. The Secretary found that shutting down the Potomac River Plant or reducing its output would create an emergency because of “the reasonable possibility an outage will occur that would cause a blackout, the number and importance of facilities and operations in our Nation’s Capital that would be potentially affected by such a blackout, the extended

number of hours of any blackout that might in fact occur, and the fact that the current situation violates applicable reliability standards.”<sup>1</sup> In fact, “if the [Potomac River] plant is not available to generate electricity and one of the two transmission lines serving the Central D.C. area goes out of service, the Central D.C. area would be served by only one transmission line” and, if that line fails for any reason, “a blackout would occur in the Central D.C. area, potentially for an extended period of time.”<sup>2</sup> Such a blackout would affect facilities and operations that are “critically important to the Nation’s national security, law enforcement and regulatory functions,” as well as “hundreds of thousands of residents and workers, and all manner of public safety and protection facilities, including hospitals, police and fire facilities,” and “it could last for an extended period.”<sup>3</sup> The Secretary’s concerns were shared by the Environmental Protection Agency (“EPA”), which issued an Administrative Compliance Order in June 2006, requiring the Potomac River Plant to operate in accordance with the terms of the Secretary’s emergency order during line outage situations. The Department of Energy’s (“DOE”) Special Environmental Analysis released in November 2006 further confirmed the Secretary’s assessment.

Unfortunately, a critical element of this carefully designed emergency mechanism, the EPA’s Administrative Compliance Order, expires on June 1, 2007. This is at least one month before PEPCO’s planned upgrades to its transmission system are expected to become operational and before the expiration of the Secretary’s emergency order. It is clear that until these transmission upgrades are placed in service, the

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<sup>1</sup> *District of Columbia Public Service Commission*, Docket No. EO-05-01, Order No. 202-05-3, at p. 6 (December 20, 2005).

<sup>2</sup> *Id.* at p. 7.

<sup>3</sup> *Id.* at p. 7-8.

emergency that gave rise to the DOE and EPA orders would not be alleviated. The DCPSC is extremely concerned about this gap, which would occur at the height of the current summer peak period. The DCPSC urges the Board to take every action within its jurisdiction that would permit Mirant to operate the Potomac River Plant during this interim period substantively in the same fashion it has operated since June 2006 in order to avoid potential reliability violations and serious disruptions in electricity supply in the area. We further note our understanding that the new lines must be tested completely and thoroughly before they are fully considered to be in service and reliable. Because the lines are being installed for the summer air conditioning season, when peaks are usually hit, and because the weather is often unpredictable, the DCPSC is particularly concerned about the stability of the systems in the summer high load period.

It is not disputed that the Potomac River Plant's continued operation raises a number of difficult environmental issues that need to be properly addressed. While the DCPSC certainly is not seeking to examine these complex issues at this hearing, we would like to reemphasize that there could be serious environmental and national security consequences to electric service interruptions and blackouts resulting from the closure of the Potomac River Plant or a significant reduction in its output prior to the activation of PEPCO's upgrades. As recognized by the Secretary of Energy, these consequences could involve disruptions in the work of our Capital area's essential facilities, including national security, law enforcement, public health and safety facilities and transportation infrastructure and regional businesses, which are likely to affect not only the District of Columbia but also Northern Virginia and other parts of the entire region. The DCPSC urges this Board to carefully weigh the full implications of its decisions affecting the

Potomac River Plant and approach the issue keeping in mind the essential need for reliable energy supply. Risk to the life, health and property of an extended blackout in the District of Columbia has obvious collateral effect on Virginia, since so many Virginia residents work in the District and because the two jurisdictions are essentially joined by roads, services, and economies as well as citizens and visitors to the area.

In conclusion, the DCPSC would like to emphasize a strong preference for a cooperative approach towards resolving the issues surrounding the operation of the Potomac River Plant. The DCPSC is grateful for this opportunity to present its views and hopes that they will be taken into account by the Board.

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Respectfully Submitted,

/s/ Sheila S. Hollis  
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ATTORNEYS FOR THE PUBLIC  
SERVICE COMMISSION OF THE  
DISTRICT OF COLUMBIA

DATED: May 21, 2007